

Message Text

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16

ACTION XMB-04

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 7351

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PLEASE PASS TO EXIM BOARD CLARK AND LOAN OFFICER CLAPP

EO 11652: N/A

TAGS: BEXP EFIN ID

SUBJ: PENDING APPLICATIONS FOR EXIM CREDITS

1. DR SALEH AFFIF, BAPPENAS DEPUTY CHAIRMAN, CALLED COMMERCIAL COUNSELOR APRIL 1, TO ASK EMBASSY ASSISTANCE IN SECURING STATUS REPORT ON PENDING APPLICATIONS FOR INTERIM POWER PROJECTS JAKARTA AND GRESIK AND TIDE LAND RECLAMATION DREDGES. SALEH AFFIF ASID THAT ADIWOSO, ECONOMIC COUNSELOR INDONESIAN EMBASSY WASHINGTON, HAD BEEN INSTRUCTED TO INFORM EXIM THAT GOI REQUESTS EXIM CONSIDER JAKARTA POWER AS SEPARATE APPLICATION FROM GRESIK IN EFFORT TO EXPEDITE EXIM APPROVAL. EMBASSY HAS BEEN DISCUSSING SUCH PROPOSAL WITH GE REPS, AMTRACO, WHO HAD PROPOSED POSSIBILITY EXIM WILLINGNESS CONSIDER SUGGESTING TO GOI THAT FOUR GAS TURBINE FOR JAKARTA TO BE CONSIDERED AS SEPARATE APPLICATION IN EFFORT OVERSOME CONTINUED DELAY. AMTRACO ADVISED EMBASSY APRIL 2 THAT IF GE CANNOT SIGN CONTRACT BY APRIL 20 THEY WILL BE UNABLE TO MEET JANUARY 1977 DEADLINE FOR PROJECT COMPLETION. THIS IS KNOWN TO PLN AND AMTRACO

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BELIEVES THAT IF CONTRACT NOT SIGNED BY APRIL 20 PLN

WOULD INSIST THAT BAPPENAS ACCEPT ALTERNATIVE SOURCES, PROBABLY FRENCH, WHO COULD MEET JANUARY 1977 DEADLINE.

2. AFFIF ALSO ASKED ABOUT STATUS OF APPLICATION FOR TIDE LAND RECLAMATION DREDGES. HE SAID THAT MINISTRY OF PUBLIC WORKS WATER RESOURCES CHIEF, SUJONO, WHEN IN WASHINGTON IN MARCH, HAD ANSWERED QUESTIONS ON THIS PROJECT RAISED BY EXIM INCLUDING FACT GOI WILLING ACCEPT 24 DREDGES AND ACCESSORIES VALUED AT \$27 MILLION. HE REPORTED THAT SUJONO HAD BEEN TOLD BY EXIM THAT POSITIVE ACTION WOULD BE TAKEN ON THIS APPLICATION BY END OF MARCH. ACCORDING TO AFFIF GOI HAS ALSO RECEIVED COMPETITIVE OFFERS FROM DUTCH, FRENCH, GERMAN AND BELGIAN SUPPLIERS WITH GOVERNMENT SUPPORTED FINANCING. AFFIF PLEADED FOR EARLIEST EXIM ACTION INCLUDING, IF NECESSARY, PRELIMINARY COMMITMENT WHICH WOULD PERMIT GOI TAKE STEPS FINALIZE FINANCING. HE REQUESTED EMBASSY INDICATE TO EXIM THAT IF PC OR APPROVAL NOT RECEIVED BY APRIL 15, GOI WOULD, ALBEIT RELUCTANTLY, HAVE TO TURN TO OTHER SUPPLIERS. EMBASSY DOES NOT CONSIDER THIS REQUEST TO BE "THREAT" TACTIC BUT REFLECTIVE OF SERIOUS PROBLEM BEING FACED BY GOI WHICH IS ANXIOUS FOR URGENT DOMESTIC REASONS TO MOVE AHEAD ON THIS DEVELOPMENTAL PROJECT AT EARLIEST POSSIBLE TIME.

3. WHILE THERE ARE CONFLICTING REPORTS REGARDING FINANCING FOR DOMESTIC SATELLITE PROJECT, MOST RECENT DEVELOPMENT, WHICH CONFIRMED BY AFFIF, IS THAT BANK OF INDONESIA (BI) WILL UNDERTAKE, AT MINIMUM, TO MAKE DOWN PAYMENT AND ALSO POSSIBLY FINANCE FROM ITS OWN RESOURCES COMMERCIAL PORTION AS INTERIM MEASURE UNTIL COMMERCIAL BANK PACKAGE ARRANGED. BI HAS BEEN WORKING WITH MORGAN GUARANTY AND AMERICAN EXPRESS BANK AS ALTERNATIVES TO BANK OF AMERICA PROPOSAL WHICH EXPIRED DECEMBER 31 FOR COMMERCIAL FINANCING PORTION. IT WOULD APPEAR THAT AMONG OTHER THINGS MAJOR STICKING POINT IS SPREAD OVER LIBO AND THAT ABOVE US BANKS HAVE BEEN UNABLE THUS FAR TO FIND FUNDS AT LESS THAN 1 7/8 OVER LIBO. AFFIF CONFIRMED THAT SOME FINANCIAL AUTHORITIES IN GOI BELIEVE THAT LIBO RATES WILL SOFTEN AS HAVE US AND UK PRIME RATES, THEREFORE, BI BRIDGING FINANCE FOR THIS CREDIT WILL BE PROVIDED UNTIL SUCH LIMITED OFFICIAL USE

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TIME AS LIBO RATES MORE ACCEPTABLE TO GOI. MEANWHILE PRIME CONTRACTOR FOR DOMSAT PROJECT HAVE BEEN REASSURED BY BOTH PERUMTEL AND MINFIN THAT L/C'S WILL BE ISSUED PERMITTING CONTRACTORS TO START WORKING. NEWSOM

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